

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6896

BILL NUMBER: SB 254

NOTE PREPARED: Jan 1, 2012

BILL AMENDED:

SUBJECT: Township Government.

FIRST AUTHOR: Sen. Glick

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Township Assistance Appeal: The bill provides that if a township trustee does not: (1) accept a completed application for township assistance; or (2) grant or deny a completed application for township assistance within the period required by statute; the application is considered denied, and the denial may be appealed to the board of county commissioners.

Township Board Compensation: The bill provides that after December 31, 2014, the total compensation and benefits paid to a township board member may not exceed \$5,000 per year.

Township Offices and Availability: The bill specifies that each township office must include the address and telephone number of the township office in at least one local telephone directory. It also requires all township trustees (instead of only certain trustees) to maintain voicemail or a telephone answering machine or service and respond to a telephone inquiry for township assistance services not more than 24 hours, excluding Saturdays, Sundays, and legal holidays, after receiving the inquiry. The bill requires that a public meeting or a public hearing of a township legislative body must be held in a public building or other public place if one is available in the township.

Township Reporting: The bill specifies that the annual report of a township must be filed with the State Examiner not later than March 1 of each fiscal year.

Township Assistance: The bill requires the township board to adopt the township's standards for the issuance of township assistance not later than March 31 of each calendar year. It provides that if the township board

fails to adopt township standards for the two calendar years preceding the ensuing calendar year: (1) the Department of Local Government Finance (DLGF) may not approve the township budget and levy; and (2) the township board members may not receive any salary until the standards for the ensuing calendar year are adopted.

It also provides that if the township board adopts standards and the township trustee fails to file the township standards with the board of county commissioners for the two years preceding the ensuing calendar year: (1) the DLGF may not approve the township's budget and levy; and (2) the township trustee may not receive any salary until the standards are filed with the board of county commissioners.

Office Rental: The bill provides that a township trustee may receive rental payments from the township for use of office space located in the trustee's private residence if the space is used for conducting official township business. It also provides that a trustee may not receive rental payments for office space in the executive's personal residence at a square footage rate that exceeds the average square footage rate charged for comparable commercial office space. It requires the township trustee in the annual report to compare the square footage rate charged by the executive for rent of the office space in the executive's residence with the average square footage rate charged for comparable commercial office space in: (1) the township; or (2) the county seat of the county where the township is primarily located if comparable commercial office space is not available in the township.

Nepotism: The bill provides that beginning January 1, 2015, in a township that has a population of at least 25,000, an individual who: (1) makes \$10,000 or more annual salary from the township; and (2) is an immediate family member of an officer or employee of a township; may not be employed by the township in a position in which the individual would have a direct supervisory or subordinate relationship with the officer or employee who is the individual's immediate family member. It provides that an employee of a township that violates the nepotism provision does not have to be terminated from any position held by that individual before January 1, 2012.

Effective Date: July 1, 2012.

Explanation of State Expenditures: *Department of Local Government Finance:* The DLGF may not approve the budget and levy of a township that does not adopt township assistance standards for two years preceding the ensuing year or if the township trustee fails to file the adopted standards with the county commissioners. This may minimally increase workload for the DLGF to determine whether the township is in compliance.

Background: Under the bill, the township trustee files with the county auditor two signed statements that state that the township board has adopted township assistance standards for the ensuing year and that the trustee filed the standards with the county commissioners. (These statements are signed on penalty of perjury, which is punishable by a Class D felony.) The county auditor then forwards the statements to the DLGF not later than December 31 each year.

Explanation of State Revenues: *Financial Report Filing Date:* Currently, every local government unit, entity, or instrumentality is required to submit a financial report to the State Examiner 60 days after the end of the fiscal year. The penalty for failing to make, verify, and file with the State Examiner is a Class B infraction and forfeiture of office. The date for townships to report would be March 1 of each fiscal year under the bill.

There are no data to indicate how the date change will impact the number of reports outstanding. The maximum judgment for a Class B infraction is \$1,000, which would be deposited in the state General Fund.

Background: For the 1,006 townships in 2010, there were 144 financial reports (14.3%) that were not submitted on time, and 862 (85.7%) that were submitted on time. No township failed to submit a report. The State Board of Accounts (SBOA) has not established a rule to enforce the penalty for late reports due to objections to a proposed rule from the Office of the Attorney General.

Explanation of Local Expenditures: The bill will have indeterminate fiscal impact on local units of government with some provisions potentially adding cost and others potentially creating cost savings.

Nepotism - Political Subdivisions: The nepotism prohibitions would have indeterminate fiscal impact if the employees of a political subdivision must be terminated or reassigned. The compensation cost differences between a family member providing services and an independent party providing the service will determine if there are additional costs or cost savings. The provisions concerning nepotism apply to townships with population greater than 25,000, which applies to 61 townships in 24 different counties based on 2010 census data.

Township Government: The requirement for a telephone answering service or voicemail may minimally increase costs, as may the requirement to list each expenditure reimbursing an executive for use of the executive's private residence and making comparisons between the square footage cost and that of commercial property within the township or the county seat. Adopting annual standards for township assistance will add minimal costs as well.

The bill could result in cost savings for certain townships where township board members are paid more than \$5,000 annually beginning 2015. [With data available from 944 townships, the median salary for a township board member is \$500, ranging from \$100 to \$21,368. Of these townships, there are 12 townships where board members receive compensation in excess of \$5,000.]

Additionally, the amount of rent paid for office space in executive's residences could decrease if the township has been paying more than the cost of comparable commercial space. [From 2010 township annual reports, office rental payments to township trustees could be identified for 16 townships. For these townships, the average rent paid was \$1,450, with the minimum payment being \$600 and the maximum payment being \$4,500.]

The township may save township board salary payments if a township board fails to adopt township assistance standards or the township trustee salary payments if the trustee fails to file the standards.

County Government: Additional appeals may be made to the county board of commissioners if applications not acted on by the township trustee within the 72-hour time period for emergency applications are considered denied by function of law. This could increase the costs for hearings at the county level, depending on the number of residents denied township assistance under this provision.

Explanation of Local Revenues: The annual appropriation and annual tax levy for a township may be affected by the bill if the township fails to file the budget adopted by the township for the ensuing year with the county auditor or fails to adopt or file township assistance standards for two calendar years. If the township's annual appropriation and annual tax levy is not approved by DLGF, costs may not be covered.

State Agencies Affected: SBOA.

Local Agencies Affected: Political subdivisions.

Information Sources: Bruce Hartman, State Examiner; Indiana Transparency Portal; 2000 U.S. Census, County Subdivisions.

Fiscal Analyst: Karen Firestone, 317-234-2106.